

CENTERPOINT COMMUNITY SERVICES

SHREVEPORT, LOUISIANA

SEPTEMBER 30, 2012

CENTERPOINT COMMUNITY SERVICES

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

OTHER REPORTS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11-12
Schedule of Findings and Questioned Costs	13
Schedule of Prior Year Findings	14

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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March 31, 2013

Board of Directors
Centerpoint Community Services
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statement of financial position of Centerpoint Community Services (a not-for-profit organization) as of September 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Centerpoint Community Services' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centerpoint Community Services as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2013, on our consideration of Centerpoint Community Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

HMV

A PROFESSIONAL SERVICES FIRM
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CENTERPOINT COMMUNITY SERVICES

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2012

A S S E T S

Current assets:

Cash	11,699
Grants receivable	25,903
Other receivables	<u>21,551</u>
Total current assets	59,153

Property and equipment:

Land	175,000
Building and improvements	459,085
Furniture, equipment and vehicles	127,592
Less-accumulated depreciation	<u>(203,006)</u>
Property and equipment, net	<u>558,671</u>

Total assets	<u><u>617,824</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued liabilities	13,383
Deposits	2,908
Line of credit	37,941
Mortgage debt payable	<u>646,511</u>
Total current liabilities	700,743

Net assets:

Unrestricted	<u>(82,919)</u>
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Total liabilities and net assets	<u><u>617,824</u></u>
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The notes to financial statements are an integral part of these statements.

CENTERPOINT COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Unrestricted</u>
<u>Revenue from operations:</u>	
Government grants and fees	490,319
Other revenue	<u>136,369</u>
Total revenue from operations	626,688
<u>Expenses:</u>	
Program services:	
Homeless Prevention and Rapid Re-housing	140,914
Pathways Centerpoint	160,467
Project Intranet	76,057
Other community services	<u>298,389</u>
Total program services	675,827
Support services:	
Administration	<u>158,056</u>
Total support services	<u>158,056</u>
Total expenses	<u>833,883</u>
<u>Change in net assets</u>	(207,195)
<u>Net assets, beginning of the year</u>	<u>124,276</u>
<u>Net assets, end of the year</u>	<u>(82,919)</u>

The notes to financial statements are an integral part of these statements.

CENTERPOINT COMMUNITY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Homeless Prevention and Rapid Re-Housing	Program Services				Support Services	
		Pathways Centerpoint	Project Intranet	Other Community Services	Total Program Services	Administration	Total
Salaries, contract services, and benefits	47,628	129,453	39,219	182,835	399,135	23,316	422,451
Accounting and professional services	74	13,969	6,333	21,172	41,548	-	41,548
Office supplies	1,849	6,113	6,421	6,269	20,652	-	20,652
Client needs	90,319	2,242	187	74,234	166,982	-	166,982
Telephone and utilities	-	5,281	7,167	5,873	18,321	17,950	36,271
Equipment maintenance and repairs	-	-	55	437	492	25,879	26,371
Other	1,044	3,409	16,675	7,569	28,697	57,099	85,796
Total expenses before depreciation	140,914	160,467	76,057	298,389	675,827	124,244	800,071
Depreciation	-	-	-	-	-	33,812	33,812
Total expenses	140,914	160,467	76,057	298,389	675,827	158,056	833,883

The notes to financial statements are an integral part of these statements.

CENTERPOINT COMMUNITY SERVICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Cash flows from operating activities:</u>	
Change in net assets	(207,195)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	33,812
Changes in assets and liabilities:	
Grants receivable	130,063
Other receivables	(8,141)
Accounts payable and accrued liabilities	8,079
Net cash (used) by operating activities	(43,382)
<u>Cash flows from investing activities:</u>	
Purchases of equipment	(59,593)
Net cash (used) by investing activities	(59,593)
<u>Cash flows from financing activities:</u>	
Borrowings on line of credit, net	37,941
Borrowings on mortgage debt	69,673
Payments on mortgage debt	(20,875)
Net cash provided by financing activities	86,739
<u>Net (decrease) in cash</u>	(16,236)
<u>Cash, beginning of year</u>	27,935
<u>Cash, end of year</u>	11,699
<u>Supplemental disclosure of cash flow information:</u>	
Cash paid for interest	43,192

The notes to financial statements are an integral part of these statements.

CENTERPOINT COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

1. Organization and Summary of Significant Accounting Policies

Centerpoint Community Services ("Centerpoint"), formerly Shreveport SRO, Inc. is a not-for-profit organization, incorporated in the State of Louisiana, providing services to eligible recipients within Northwest Louisiana.

The Organization receives the majority of the funding used to meet its program objectives under grants from the United States Department of Housing and Urban Development ("HUD"). Supportive Housing Program grants provide a comprehensive coordinated referral and delivery source to provide for or meet the immediate and long-term needs of homeless individuals and families.

Centerpoint conducts its program services through a central referral and intake facility known as Centerpoint. Funding through the program titled Pathways serves as its primary program for client needs in an effort to deliver Case Management and Supportive Services that include transportation and child care expenses for persons who are experiencing homelessness. Centerpoint also receives funding from a HUD grant titled Project Intranet. This grant facilitates the Organization by providing its central resource intranet database as it serves as the region's central resources database for social services as well as client services tracking. In addition, Centerpoint provides homelessness prevention assistance to households which are at risk of otherwise becoming homeless and to provide assistance to rapidly re-house persons who are homeless through HUD program grants for Pathways and Homelessness Prevention and Rapid Re-housing.

Other Community Services included in program services include expenditures from the Organization's programs that are not associated with these HUD grants. These include expenses related to the various federal awards received from Department of Homeland Security, Emergency Shelter Grant Program and Community Development Block Grant awards passed through the Cities of Bossier City and Shreveport, as well as other grants from various organizations, foundations, and donors that support Centerpoint's other ancillary programs. Approximately 60% of Centerpoint's revenues are derived from Federal program grants, and approximately 10% are from tenants which occupy space in the office building owned by Centerpoint.

Summary of Significant Accounting Policies

The accounting policies of Centerpoint conform to accounting principles generally accepted in the United States of America. The more significant accounting policies of Centerpoint are described below:

Basis of Accounting – Centerpoint prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Grants Receivable – Grant receivables are recorded at amounts billed and are deemed delinquent based on contractual terms. Substantially all such receivables are due from local governmental units.

1. **Organization and Summary of Significant Accounting Policies** (Continued)

Account Classification – Revenue and expenditure information is maintained separately for each grant funded to the organization, as required by the various funding sources.

Property and Equipment – Equipment purchased by Centerpoint is recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets ranging from five to forty years. Centerpoint capitalizes individual assets acquired greater than \$5,000.

Certain equipment acquired is owned by Centerpoint while used in the program for which it was purchased or in other future authorized programs. The funding sources, however, may have a reversionary interest in the equipment purchased with grant funds; therefore, its disposition, as well as the ownership of any sale proceeds there from, is subject to funding source regulations. These assets are shown as temporarily restricted net assets until granting agency restrictions are released.

Net Assets – Net assets, revenues, contributions, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets which are not subject to donor-imposed stipulations. Support restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Temporarily Restricted Net Assets – Net assets which are subject to donor-imposed stipulations which may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations requiring they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Centerpoint had no temporarily restricted or permanently restricted net assets at September 30, 2012.

Contributions – Contributions are included in other revenue and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by donors or grantors are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services – The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Approximately 1,400 hours of services were donated by volunteers to Centerpoint during the year.

1. **Organization and Summary of Significant Accounting Policies** (Continued)

Compensated Absences – Annual (vacation and personal) leave is earned by employees as follows:

<u>Length of Service</u>	<u>Annual Leave Earned</u>
From one to three years	Fourteen days
Over three years	Nineteen days

Generally, no more than five days of unused leave may be carried forward to the next fiscal year.

Sick leave is earned at the rate of 2.5 days every six months, and may be carried forward to the next fiscal year.

Federal Income Taxes – As a nonprofit, privately supported organization, Centerpoint Community Services is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. Centerpoint is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax-exempt entity. It must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax-exempt entity, it must assess whether it has any tax positions associated with unrelated business income subject to income tax. Centerpoint does not expect these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the accounting records.

Centerpoint is required to file U. S. Federal Form 990s for informational purposes. The federal income tax returns for the tax years 2009 and beyond remain subject to examination by the Internal Revenue Service.

Statement of Cash Flows – For purposes of the statement of cash flows, Centerpoint defines cash as all financial instruments having an original maturity of ninety (90) days or less.

Concentration of Credit Risk – Cash consists of demand deposits at a commercial bank. These balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization can have exposure from time to time due to cash balances held in excess of the FDIC coverage. The bank in which the Organization's deposits may exceed the insured limit has a strong credit rating, and it is management's opinion that credit risk related to these deposits is minimal.

Risks and Uncertainties – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

1. **Organization and Summary of Significant Accounting Policies** (Continued)

Promises to Give – Unconditional promises to give, if any, that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give, if any, that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

2. **Borrowings**

a. **Line of credit**

Centerpoint has a secured, variable line of credit with Community Trust Bank in the amount of \$50,000. The line bears interest at bank prime plus 1.25% (4.50% at September 30, 2012) and matures in September 2013. The unpaid balance on this credit line was \$37,941 at September 30, 2012. This debt is secured by a mortgage on Centerpoint's office building and land.

b. **Mortgage notes payable**

Centerpoint has a fixed-interest mortgage note with Community Trust Bank in the original amount of \$658,717. Secured by a mortgage on its office building and land, the note bears interest at 4.89%, is payable on demand, or if no demand, requires monthly payments of \$5,196, and matures in 2019. The unpaid balance at September 30, 2012 was \$646,511.

Approximate maturities of all mortgage debt over the next five years and in the aggregate (assuming no demand) for the years ending September 30 are as follows:

2013	69,136
2014	32,581
2015	34,233
2016	35,895
2017	37,790
Thereafter	<u>474,817</u>
	<u>684,452</u>

Total interest expense amounted to \$43,192 for 2012, and is included in Administration expenses.

3. **Lease Obligations**

Centerpoint leases office equipment under operating leases expiring in fiscal year 2012. The equipment lease expense for the year ending September 30, 2012, approximated \$8,100, and is included in other expense. The equipment leases were bought out during the year, and the leased property capitalized in property and equipment.

4. **Commitments and Contingencies**

Grants require the fulfillment of certain conditions as set forth in grant contracts. Failure to fulfill the conditions as set forth in the grant contracts could result in the return of grant funds to the grantor.

5. **Unrestricted Revenue and Expenses**

The Organization has obtained grants and contributions from foundations, local businesses and others to assist the Organization in meeting its cash match requirements and to continue to provide the level of service deemed necessary in the community. These various unrestricted sources are utilized at management's discretion for the purposes of the programs.

6. **Conditional Promises**

Conditional promises consist of the unfunded portions of approved governmental grants currently in effect. Future funding of such awards is conditioned upon the organization's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to Centerpoint, they have not been recognized in the financial statements. Such promises amounted to approximately \$37,000 at September 30, 2012.

7. **Uncertainties**

As shown in the accompanying financial statements, Centerpoint has incurred a negative change in net assets of (\$207,195) and has a negative cash flow from operations of (\$43,382). In addition, it has a deficit in net assets of (\$82,919) and negative working capital of (\$641,590). These conditions are generally the result of the completion of the term of the Homeless Prevention and Rapid Re-housing grant, and general government budget cuts in human services. As a response to these negative factors, the Board has reviewed extensively funding sources and other alternatives in order to assure uninterrupted services to the community. Measures taken include refinancing mortgage debt to obtain lower interest rates, completing facility improvements to remain competitive in attracting lease tenants, and continually reviewing the need to consolidate and eliminate programs to control costs. In addition, in collaboration with the State of Louisiana and state agencies, regional Continuums of Care for Homeless Assistance, and a social finance investment broker, Centerpoint has applied for participation in a public/private partnership to deliver services to the Homeless in the state. Once approved for implementation, this project will have a term of five years, and will provide Centerpoint with both fees for fiscal administration and for services performed, thus assuring its fiscal sustainability.

8. **Subsequent Events**

Centerpoint is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. Centerpoint performed such an evaluation through March 31, 2013, the date which the financial statements were available to be issued, and noted no such subsequent events.

OTHER REPORTS

HEARD, McELROY, & VESTAL

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CERTIFIED PUBLIC ACCOUNTANTS

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March 31, 2013

Board of Directors
Centerpoint Community Services
Shreveport, Louisiana

Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

We have audited the financial statements of Centerpoint Community Services as of and for the year ended September 30, 2012, and have issued our report thereon dated March 31, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Centerpoint's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Centerpoint's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Centerpoint's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Centerpoint's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the



determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Shreveport, Louisiana

Head, McElroy & Vestal, LLC

CENTERPOINT COMMUNITY SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Centerpoint Community Services.
2. One deficiency in internal control relating to the audit of the basic financial statements is reported. It is a material weakness.
3. No instances of noncompliance were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2012-01 - Control Finding

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare Centerpoint's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor does management have the ability to perform these functions in-house. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls. This condition is intentional and results from management balancing Centerpoint's financial complexity with the appropriate level of accounting expertise. It is not cost effective for Centerpoint to prepare its annual financial statements in-house.

Whether or not it would be cost effective to correct a control deficiency is not a factor in applying SAS 115 reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under SAS. In this case both management and the auditor do not believe that correcting the material weakness described above is cost effective or practical and, accordingly, do not believe that any corrective action is necessary.

CENTERPOINT COMMUNITY SERVICES
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

2011-01 Lack of expertise to prepare annual financial statements in-house – repeated.